

VZCZCXRO6558
RR RUEHLMC
DE RUEHLM #1687 3541058
ZNR UUUUU ZZH
R 201058Z DEC 07
FM AMEMBASSY COLOMBO
TO RUEHC/SECSTATE WASHDC 7389
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION

UNCLAS COLOMBO 001687

SIPDIS

SENSITIVE

SIPDIS

STATE FOR SCA/INS AND EEB/IFD/ODF
MCC FOR S. GROFF, D. TETER, D. NASSIRY AND E. BURKE

E.O. 12958: N/A

TAGS: [EAID](#) [KMCA](#) [PREL](#) [CE](#)

SUBJECT: MCC DECISION NOT TO RE-SELECT SRI LANKA FOR COMPACT
ELIGIBILITY EXPLAINED TO FOCAL POINT

REF: A. SECSTATE 168510 B. GABOR-NASSIRY 10-30-07 EMAIL

1. (SBU) Sri Lanka's national focal point for Millennium Challenge Account issues, Secretary of Ministry of Plan Implementation Dhara Wijayatilake, contacted Econoff December 20 to seek clarification regarding the MCC board's December 12 decision regarding Sri Lanka. Wijayatilake had seen a local media report about the MCC decision, but had not heard anything from Sri Lanka's Embassy in Washington (which post understands MCC immediately informed of the board's decision.) Wijayatilake was concerned that the local media reports seemed to indicate that Sri Lanka had been found ineligible for the MCC program based on its performance on MCC's policy indicators.

2. (SBU) Wijayatilake was relieved when Econoff clarified that Sri Lanka had been eligible for MCC consideration on the basis of the indicators, but that the MCC board had decided not to re-select Sri Lanka for FY 2008 Compact eligibility (ref A). She found this understandable, given that there had been no significant change in the status of the conflict and the human rights and governance concerns that had led the MCC in April to defer work on Sri Lanka's proposed compact.

3. (U) Wijayatilake was reacting to this report in the English-language "Daily Mirror" newspaper, under the headline "US deselects Sri Lanka from 2008 funding": "At a December 12 meeting, the Board of Directors of the MCC deselected Sri Lanka, based on the country's performance on 17 indicators in three areas -- ruling justly, investing in people and encouraging economic freedom...Sri Lanka's de-selection implies that it has not demonstrated commitment to policies that promote political and economic freedom, investments in education and health care, control of corruption, and respect for civil liberties and the rule of law."

4. (SBU) Comment: Wijayatilake was seeking to understand whether the MCC board decision in any way indicated that Sri Lanka had slipped in terms of the MCC's criteria for assessing countries, so that she could explain the development to the Minister of Plan Implementation. She wanted to be sure that she had correctly understood, when post delivered Sri Lanka's scorecard in October, that Sri Lanka had "passed" on the basis of the indicators (ref B). She clearly felt that she could account for the MCC decision not to re-select Sri Lanka for compact eligibility, but that it would have been hard to explain if Sri Lanka had been judged ineligible on the basis of its performance on the MCC's 17 policy indicators. Her reaction shows how seriously her very technocratic ministry cares about how Sri Lanka performs on the policy indicators; she has, however, never disputed the MCC view that the Sri Lanka's conflict and recent governance problems are inconsistent with the goals of the MCC program.

BLAKE